

notwithstanding the cost of insurance and carriage. The contrary state of trading transactions between the two countries (when £1 will purchase more than even the par value of 25-2215 francs) is here implicitly explained. Thus the condition of the mutual commercial indebtedness between two nations may cause gold to be withdrawn from this country in settlement of the balance of debt, and, as it must be obtained ultimately from the Bank of England, the Eeserve tends to become reduced below the limit which prudence and sound business principles would assign as in adequate relation to the extent of liabilities. If this outflow be not checked, merchants will grow alarmed at the diminution of cash resources upon which the validity of their documents of credit depends; general disquietude will pervade all trading operations lest debts should fail to be dischargeable in gold; and if the efflux on the preceding account prove to be continuous and increasing—especially if it concur with the abstraction of gold for the settlement of internal payments, and more particularly if, coincidentally, other nations require gold for their local purposes—the mercantile misgiving may develop into a commercial panic.

The possible demand by foreign countries, apart from the fluctuations of trade indebtedness, may be enlarged upon. England is the unrivalled centre of monetary transactions, the supreme exchange at which the commercial and financial engagements of the world converge for settlement. This unique position England owes to numerous and unparalleled circumstances : her insular situation and consequent freedom from the trepidation of possible war which produces the nervous tension of continental nations whose boundaries meet; her free and elastic form of government, her vast commerce, her limitless resources, her intimate trading connections with every region of the earth, the certainty of obtaining gold in the discharge of her obligations, her vigorous and daring methods of enterprise supported by adequate pecuniary power, and, far from least, the

established and renowned reputation of her merchants and financial institutions for honourable character, punctual fulfilment of commitments, and unassailable solvency. Hence bills drawn upon England form one